(b) Pursuant to the announcement made in the Budget for 2007-08 to use a part of the foreign exchange reserves for infrastructure financing without the risk of monetary expansion, the Reserve Bank of India in consultation with the Government of India has taken a decision to invest up to US $ 5 billion in the wholly owned off-shore subsidiary of India Infrastructure Finance Company Limited. This subsidiary would lend to Indian companies implementing infrastructure projects in India.

Effect of inflation on economic growth

4239. SHRI A. VIJAYARAGH AVAN: Will the Minister of FINANCE be pleased to state:

(a) whether the current inflation affect the growth registered for the last three years;

(b) if so, the details thereof and the steps taken to control inflation;

(c) the factors, both national and international, that had caused the present inflation; and

(d) the steps taken in details to shelter the commodity price of the country from the impact of global tendencies?

THE MINISTER OF STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR B ANS AL): (a) to (d) Year-on-year WPI based average inflation and country GDP growth rate in per cent is indicated in the table below:

Table: Year-on-year average inflation and GDP growth rale (%)

Year	WPI inflation	GDP Growth rate
2005-06	4.4	9.4
2006-07	5.4	9.6 (Quick Estimate)
2007-08	4.5 (Provisional)	8.7 (Advance estimate)

Increase in global commodity prices and increase in domestic demand relative to its availability has resulted in increase in prices. In an open economy, movement in world commodity prices affects domestic prices, though the pass-through is moderated through fiscal measures. Increase in the prices of coal, mineral oils, iron ore and increase in prices of basic metals and alloys comprising iron and steel, foundries for casting and forgings and pipes and wires led to an increase in rate of inflation.

Containment of inflation along with maintenance of high Economic growth are priority of the Government. Anti-inflationary policies of the government include strict fiscal discipline, rationalization of duties of essential items, effective supply-demand management of essential commodities through liberal tariff and trade policies, and procurement through public sector agencies. To supplement government's efforts and Reserve Bank of India has formulated the monetary policy to be conducive to economic growth, while attempting to contain inflationary expectations arising out of uncertainties in domestic and international environment.

Difficulties faced by income tax payers

4240. SHRI PRAVEEN RASHTRAPAL: Will the Minister of FINANCE be pleased to state:

(a) the difficulties faced by various tax payers on account of disallowance of certain payments under Section 40(a) (ia) of the Income Tax Act, 1961;

(b) whether it is a fact that many representations are made to the Ministry by various associations, individual tax payers and Income Tax Advocates Federation; and